

## STATE OF MAINE PUBLIC UTILITIES COMMISSION

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## CAD Bulletin No. 2011-04

TO: Water Utilities and Districts

FROM: Patricia Wright, Supervisor, Consumer Assistance Division (CAD)

DATE: April 7, 2011

SUBJECT: Late Payment Charge Interest Rate

The purpose of this bulletin is to remind utilities of the Commission's Annual Notice of Late Payment Interest Rate. Recently, staff has discovered instances of incorrect late payment charge interest rates being applied to customer accounts. What the CAD has discovered are utility Terms and Conditions that state <u>specific</u> interest rate percentages that will be charged to customers with overdue balances. Typically, these Terms and Conditions have incorrectly stated that "the utility will impose a late payment charge of 1% per month, 12% per year, on the amount overdue on any bill issued in accordance with these Terms and Conditions of Service."

Chapter 810, section 3(H)(1) states a utility must file a tariff according to the requirements of Chapter 870 of the Commission's Rules and this Chapter before a late payment fee is charged.

Chapter 870, section 1(B) states that the Commission's Administrative Director shall notify utilities no later than November 15 each year of the maximum annual interest rate a utility may charge during the next calendar year beginning January 1. The Director shall specify both an annual maximum rate and the monthly equivalent maximum compounded rate, either of which may be used at the option of the utility.

It is important to note that because the annual late payment charge interest rate is subject to change, it is most beneficial for utilities *not* to state a specific percentage, but rather to refer to the rate that will be allowed pursuant to Chapter 870 of the Commission's rules. For example, the Commission's Annual Notice for the year 2011 (issued on November 12, 2010) allows an **annual maximum late charge of 11.25%**, and for utilities choosing to compound, the equivalent **monthly maximum late payment charge for 2011 is 0.892%**.

Any utility that is not currently charging the correct interest rate pursuant to Chapter 870 must immediately begin charging the correct rate and should file any terms and conditions necessary to ensure the proper rates are charged on a going forward basis.

If you have any questions regarding this bulletin, please feel free to contact me directly at 1-800-452-4699, extension 2002, or at Patricia.wright@maine.gov, if you have questions regarding this issue.

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